

INITIAL STATEMENT OF REASONS

Hearing Date: October 18, 2006

Subject Matter of Regulations: Schedule of Fees

Sections Affected: 2070 and 2071

Specific purpose of each adoption, amendment or repeal

Section 2070. Registration and Renewal Fees for Veterinarians

1. (a) The purpose of this regulation is to increase the eligibility review fee for all examinations from \$65 to \$100.
2. (b) The purpose of this regulation is to increase the fee for the California state board examination from \$140 to \$150.
3. (c) The purpose of this regulation is to increase the fee for the veterinary law examination from \$35 to \$50.
4. (d) The purpose of this regulation is to increase the initial license fee for veterinary licenses issued by the Veterinary Medical Board for one year or more from \$225 to \$250 and to increase the initial license fee for less than one year from \$112.50 to \$125.
5. (e) The purpose of this regulation is to increase the license renewal fee for veterinary licenses issued by the Veterinary Medical Board from \$225 to \$250.

Section 2071. Application, Registration and Renewal Fees for Registered Veterinary Technicians.

Specific purpose of the regulation:

1. (a) The purpose of this regulation is to increase the application eligibility review fee for candidates applying for the California registered veterinary technician examination from \$75 to \$100.
2. (b) The purpose of this regulation is to establish a specific fee for the registered veterinary technician examination of \$150.
3. (c) The purpose of this regulation is to increase the initial registration fee for veterinary technicians for one-year or more from \$75 to \$100 and to increase the initial registration fee for less than one year from \$37.50 to \$50.
4. (d) The purpose of this regulation is to increase the biennial renewal fee for registered veterinary technicians from \$75 to \$100.
5. (e) The purpose of this regulation is to establish a delinquent fee for registered veterinary technicians of \$25.

Pursuant to Business and Professions Code, Section 4905, the Veterinary Medical Board has the statutory authority to retain a maximum balance equal to 10 months of expenditures in its contingency fund (aka, savings account). The contingency fund finances the VMB's expenditures including: office administration; examination and licensing duties; enforcement activities. In addition to funding its own programs, periodically, the VMB must submit to mandatory withdrawals or transfers by outside agencies.

The following are examples of budget actions, Departmental, State and Legislative actions requiring mandatory withdrawals from the Board's contingency fund, over which the VMB has little or no control, that have a significantly impact on the VMB's budgetary bottom line:

1. General salary increases in which the Governor authorizes a pay increase for all, or sometimes a select few, state employees,
2. Pay increases for the Attorney General's office,
3. Defending civil cases filed against the board,
4. Increases in vendor costs for services such as printing and postage,
5. Increases in the State employer retirement contributions, and
6. Legislative requirements for new mandated programs such as the temporary licensure program and mandatory continuing education, etc.

The following are examples of budget actions initiated by the Board in response to a demonstrated need for change to maintain the minimum standards of practice and an acceptable level of consumer protection:

1. An increase number of annual hospital inspections,
2. An increase in the hourly rate paid for veterinarian consultants,
3. Increased consumer outreach activities, and
4. Increased enforcement of RVTs, i.e. increased private school inspections and complaints
5. Increased costs of examination development and administration.

As a result of the above budget actions, it is projected that the Board will not have enough funds to finance the Board's annual budget beginning in fiscal year 2007/08.

Factual basis

The Board has been able to operate within its existing budget by carefully monitoring expenditures and being conservative on purchases. However, due to the increasing costs outside the Board's control, e.g., hourly fees for the Attorney General (four increases in the last two years), expert witnesses and examination development costs. The VMB's budget analyst's projections over the next five years show the need for a fee increase.

The most significant proposed increase is in the area of the Registered Veterinary Technicians state licensing examination. The examination fees collected for the California Registered Veterinary Technician (RVT) examination have never covered the actual costs of development, preparation and administration of the examination. Consideration of the low salary levels of RVTs has always been a factor in attempting to keep the fees low. However, the Board is no longer able to subsidize the operating expenses of the RVT Committee or costs of the RVT examination with licensing fees and must initiate a substantial fee increase to cover actual examination development and administrative costs.

The current application fee of \$75 barely covers the Board's cost to the vendor of \$51. The remaining \$24 does not even come close to the per candidate cost of approximately \$300 per candidate for examination development and preparation.

The factual basis for determination that each proposed change is necessary.

Underlying data:

The Veterinary Medical Board relied on the following documents in its proposal:

1. Department of Consumer Affairs' Analysis of Fund Condition dated 5/22/06.
2. Five (5) year history of budget augmentations with proposed fee increases

Business Impact:

This regulation will not have a significant adverse economic impact on businesses.

This regulation may have an insignificant impact only on those businesses who pay the examination, licensing, and registration fees for their employees.

Specific technologies or equipment:

This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives:

No reasonable alternative which was considered or that has otherwise been identified and brought to the attention of the board would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed regulation.

Set forth below are the alternatives which were considered and the reasons each alternative was rejected:

Alternative 1: Status quo. Do not increase fees. If the board does not increase fees, it will have a negative contingent fund beginning in fiscal year (FY) 2007/2008. This is not a feasible alternative because the board cannot fulfill its statutory obligations without operating revenue.

Alternative 2: Increase licensing fees and examination fees for veterinarians, but downsize the RVT examination to address California RVT job tasks only and use the national Veterinary Technician Licensing Examination (VTNE). One proposal to reduce expenditures was to downsize the RVT examination and use the national VTNE. At first glance, this seems like a viable alternative, however, when the Board downsized its licensing examination for veterinarians in 1998 from 240 questions to 100 question, it did not result in a reduction of examination development costs.

The Board utilizes a national recognized examination development method known as the Angoff Method of examination development. This method requires extensive interaction with multiple committees of subject matter experts to write and review questions and to set a defensible pass point. That is where the development costs lie. Therefore, reducing the size of the examination does not correlate to reduced costs.

Alternative 2: Increase license and exam fees. The Board must increase both license and exam fees to avoid a negative balance in the Veterinary Medical Board contingent fund. It was determined that the majority of cost increases have occurred in examination development costs and general operating expenses, with a significant increase in the enforcement costs for Attorney General.

License fees are collected to fund operating expenses and enforcement expenditures and usually examination costs are covered via examination fees, however, the RVT examination fees have never equaled the actual per candidate cost for examination development and preparation. Due to low salary concerns, the Board has maintained an unusually low fee for the RVT examination; therefore, the requested increase is significant. However, the Board was directed by the Legislature via the sunset

review process to make the examination program self supporting and increasing license fees alone is not sufficient to cover the deficient fund balance.